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MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Report of Audit of Financial Allotment Records
Office of Security as of 30 June 1958

1. This memorandum is for your information only.

2. The report of the Audit Staff dated 8 December 1958 on Financial Allotment Records (UV funds) in the Office of Security as of 30 June 1958, has been reviewed in detail. The report criticizes the extent and accuracy of bookkeeping procedures, particularly during the fiscal years 1956 thru 1958. The present Chief, Administration and Support Branch, who assumed responsibility in May 1958, recognized these deficiencies and thru coordination with the Budget Office liaison had taken corrective measures on current financial procedures in most cases. As a result of the recent audit he has initiated additional procedures to comply fully with Agency regulations.

3. Following are the comments of this Office with respect to each administrative action recommended by the Chief, Audit Staff in his report:

a. "Component review [REDACTED] to assure Allotment Control Records are maintained on a current and accurate basis."

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We have failed to find any record in this Office of notification by the Comptroller that the provisions of [REDACTED] were made applicable to the Office of Security. Neither does there appear to be any record of written notification on this subject in the Office of the Comptroller. However, we have been advised by that office that apparently oral briefings were given to each office concerned on the subject in July 1955.

Pursuant to the recommendation by the Chief, Audit Staff, we shall follow the provisions of [REDACTED] in the future.

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EXTRA ONLY

b. "In the future Component should adjust allotments only upon receipt of allotment advice from the Budget Division."

It was the practice in the past to occasionally obtain informal oral approval of the Budget Division to adjust allotments as required, followed by formal written authorization. Apparently in the instance cited in paragraph 3 of the Audit Report, written confirmation was not obtained and thus there is no record that authority was given to increase the allotment. No adjustments of allotments will be made in the future without formal written approval of the Budget Division.

c. "Component should maintain a record of obligations and use this record as a basis for reporting monthly to Finance Division."

Past records were deficient in not reflecting accurately the total obligations reported to the Finance Division on the Monthly Summary Obligation Report. This condition existed until June 1958, at which time procedures were corrected so that they were proper at the time of the audit and they now do reflect accurately the total obligations as currently reported to the Finance Division.

d. "Component should file obligating documents separately as to being liquidated or unliquidated."

This was a current deficiency at the time of the audit, but proper use of the Miscellaneous Obligation Record, which has been instituted since the audit, will now insure correction of this fault.

e. "Component should record all obligations. Field offices' obligations should be recorded monthly on the basis of historical data."

All obligations are now being recorded monthly in advance based on historical data and current estimates of future requirements.

f. "Component should discontinue the practice of certifying funds are available when allotments have been fully expended. "

With respect to the over-expenditures for fiscal year 1957 and fiscal year 1958, reported in paragraph 6 of the audit report, it will be necessary to make a detailed comparison between obligations recorded by our Office and the Monthly Expenditure Run prepared by the Finance Division in order to determine the cause for and actual amount of these discrepancies. We are now engaged in making this comparison for 1958. It is doubtful whether the records available for fiscal year 1957 will permit of such a reconciliation.

Contrary to the implication that certification of funds available were made in allotments known to be fully expended, the Office of Security certifying officer in fact applied his signature of certification based upon Office of Security records that funds were available. Unfortunately, this was done without proper reconciliations with the Finance Division Monthly Expenditure Run and the Status of Allotment Report. Such reconciliations are now being performed in this Office and will insure proper certifications in the future.


g. "Reconcile monthly reports received from Finance Division with Allotment Control Records and take appropriate action. "

As stated above with respect to item "f" we are now engaged in reviewing the Monthly Expenditure Run and Status of Allotment Report received from the Finance Division in order to adjust the allotment record for fiscal year 1958. Such reconciliations will be carried on during the current and each succeeding year.

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h. "Budget Division, Office of the Comptroller, should request quarterly reports on prior fiscal year over-obligations."

The Office of Security will furnish quarterly reports on prior fiscal year over-obligations as required.


Sheffield Edwards
Director of Security

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